

CPD Occasional Paper Series

**Corporate Responsibility Practices in Bangladesh:
Results from a Benchmark Study**

Paper 18

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The Centre for Policy Dialogue (CPD), established in 1993, is a civil society initiative to promote an ongoing dialogue between the principal partners in the decision-making and implementing process. The dialogues are designed to address important policy issues and to seek constructive solutions to these problems. The Centre has already organised a series of such dialogues at local, regional and national levels. The CPD has also organised a number of South Asian bilateral and regional dialogues as well as some international dialogues. These dialogues have brought together ministers, opposition frontbenchers, MPs, business leaders, NGOs, donors, professionals and other functional groups in civil society within a non-confrontational environment to promote focused discussions. The CPD seeks to create a national policy consciousness where members of civil society will be made aware of critical policy issues affecting their lives and will come together in support of particular policy agendas which they feel are conducive to the well being of the country.

In support of the dialogue process the Centre is engaged in research programmes which are both serviced by and are intended to serve as inputs for particular dialogues organised by the Centre throughout the year. Some of the major research programmes of CPD include **The Independent Review of Bangladesh's Development (IRBD), Governance and Development, Population and Sustainable Development, Trade Policy Analysis and Multilateral Trading System and Leadership Programme for the Youth**. The CPD also carries out periodic public perception surveys on policy issues and developmental concerns.

Dissemination of information and knowledge on critical developmental issues continues to remain an important component of CPD's activities. Pursuant to this CPD maintains an active publication programme, both in Bangla and in English. As part of its dissemination programme, CPD has decided to bring out **CPD Occasional Paper Series** on a regular basis. Dialogue background papers, investigative reports and results of perception surveys which relate to issues of high public interest will be published under its cover. The Occasional Paper Series will also include draft research papers and reports, which may be subsequently published by the CPD.

The present paper titled **Corporate Responsibility Practices in Bangladesh: Results from a Benchmark Study** has been prepared at CPD by a team of researchers. The paper was presented at a dialogue on the theme of *Corporate Responsibility in Bangladesh: Where Do We Stand?* organised by the Centre which was held on August 4, 2002, at CIRDAP Auditorium, Dhaka.

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Under the overall guidance of Dr. Debapriya Bhattacharya, Executive Director, CPD and Professor Mustafizur Rahman, Research Director, CPD the paper on *Corporate Responsibility Practices in Bangladesh: Results from a Benchmark Study* has been prepared at the Centre for Policy Dialogue (CPD) by a team led by Dr. Ananya Raihan, Research Fellow, CPD. The other team members are Mr. M. J. H. Javed, Research Associate, Ms. Nawrin Samrina, Research Associate, Mr. Wasel Bin Shadat, Research Associate, Mr. Kazi Mahmudur Rahman, Research Associate, Ms Halima Begum, Research Associate, Ms. Zakia Haque, Programme Associate, Mr. Md. Jahangir Hossain, Programme Associate, Mr. Shahidul Islam, Programme Associate. Mr. A.H.M. Ashrafuzzaman, Word Processor at CPD provided valuable assistance.

The CPD study team would like to put on record its deep appreciation of the contribution of all the respondents who have cooperated with CPD in accessing the relevant information. Recognising the confidentiality of the information volunteered by these organisations, the CPD is refraining from mentioning their particulars.

The research team would like to express sincere thanks to all the CPD staff who have provided support towards successful completion of the study.

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Corporate Responsibility Practices in Bangladesh: Results from a Benchmark Study

INTRODUCTION

The rapid pace of globalization of markets over the last few decades have added new dimensions to the concept of corporate responsibility in the context of the market economy. In most of the developed countries multinational enterprises are required to respond to the *OECD Guidelines* and work with unions and NGOs for improving the social, environmental and labour conditions as they relate to the operation of the multinationals. The corporate bodies in those countries are willing to work under various legislative, fiscal and other regulatory bindings; there are also adequate incentives to be good corporate citizens in the developed countries. In a majority of cases corporate citizens are able to comply with the corporate and social responsibility norms. The corporate entities in the developing countries obviously lag far behind in terms of attaining the level of compliance similar to those of the developed countries.

The exercise of measuring corporate responsibility can serve a useful purpose and the importance of research based evaluation of corporate responsibility cannot be overlooked for improving the work place safety and fair treatment, responsibility to the community in which the corporate entity is functioning, environment management etc.

Against that backdrop, the WTO ‘positive agenda’ includes technical assistance for improving competitiveness and compliance status of the developing country producers with the various standards introduced by a number of international agencies. From the standpoint of identifying the specific areas requiring technical assistance for ensuring a satisfactory standard in Bangladesh’s corporate practice, implementation of fact finding research programme is very essential. Apart from the question of attaining the required level for compliance with the corporate standards set in various guidelines to access the developed country markets, it is also very pertinent that behaviour of corporate bodies in Bangladesh towards people, employees and the society as a whole be at par with the corporate standard in the regional and international contexts. Ensuring better and safer working environment for the workforce, elimination of corruption, showing respect to human rights and respect for environmental sustainability are now universally recognised as essential factors for the sustainable development of societies. This study, which marks a maiden endeavour in the context of Bangladesh, envisages to examine closely the status of corporate responsibility in the country.

The global rules of business are, however, dictated by the developed countries and protectionist instruments with varying forms and dimensions are set against the exporters

of developing countries. It is obvious that applying the same yardstick of compliance in terms of responsible behavior by corporate citizens in the developing world is not only premature, but also unjust, especially when this yardstick is intended to use as a protectionist barrier to the market of the developed countries. The caution is justified when the corporate responsibility status is becoming the pre-requisite for sourcing goods and services from the developing countries.

I. CORPORATE RESPONSIBILITY: A NOTE ON THE EVOLUTION OF THE CONCEPT

An India based study on corporate responsibility (Kumar R. et, 2001) presented four different models of corporate social responsibility, which were: Ethical model, Statist model, Liberal model and Stakeholder model. The Cadbury Brothers in England and the TATA Family in India have been mentioned in the study as pioneers which initiated corporate philanthropy in the 19th century eventually contributing towards social development. It was also mentioned that Mahatma Gandhi propagated an active role for companies in socio-economic development during the 20th century. The second model related to 'state leadership' in corporate responsibility, which emerged in the countries with socialist ideology, where state-owned enterprises assumed responsibility for the well-being of workers in the workplace and beyond. The liberal model encapsulates the philosophy of Milton Friedman (1958) which argues that companies are solely responsible to their owners. This model doctrine upholds that it is sufficient for business to obey the law and generate wealth, which through taxation and private charitable choices can be directed to social ends.

The emergence of the fourth model is largely related to the growing concern about the pace of globalization, which alleges that globalization results in lower environmental and labour standards, as part of the 'race to the bottom'.¹ Non-governmental organizations, environmental groups, consumer groups, trade unions and other civil society organizations argue that multi-national corporations exhibit irresponsible and anti-people corporate behaviors. Consumer action and stakeholder pressure have changed the dimension of corporate responsibility debates. Although, the contemporary corporate responsibility debate was initiated as a protest against MNC's role in addressing the labour issues, environmental concerns and other socio-economic development issues, the developed countries very tactfully pocketed it for creating a 'global framework' of corporate responsibility, which will certainly be helpful in addressing concerns of citizens' groups in their own countries while at the same time the corporate responsibility standard would be used as a very effective addition to non-tariff barriers (NTBs) traditionally employed against the goods and services from the developing countries. This strategy serves a very critical purpose of the industrially developed neo-protectionist

¹ Walker A. 2001. US Business View of Corporate Responsibility. Paper presented at OECD Roundtable on global Instruments for Corporate Responsibility, OECD.

countries in creating market access barriers for the least developed and developing countries such as Bangladesh without taking the risk of pressure from citizens' group against such protectionism.

The stakeholder model was pioneered by R. Edward Freeman (1984) which was further developed by David Wheeler and Maria Sillanpää (1997). Interestingly, the study of Wheeler and Sillanpää identified friendly relationships among stakeholders as one of the most important factors of business success. With increasing global scrutiny a credible corporate responsibility agenda now encompasses the following issues:

- standard conduct that includes employment fair policies and all core labour standards, particularly trade union rights
- business ethics, safety and ergonomic issues
- responsibility to community
- environment performance

There is no debate over the fact that companies must go beyond their traditional *economic role*. At a time, when the companies of Bangladesh are beset with numerous problems in both domestic and international contexts related to issues such as standards, compliance and environmental sustainability in development, the importance of conducting a study on corporate responsibility practices requires no elaboration. The present study is important further due to the ever increasing knowledge gap about the Third World reality which requires a different approach towards the corporate scenario-radically different from that of the developed countries.

Analytical Framework of the Study

In understanding the corporate responsibility practices in Bangladesh the following issues have been investigated under the corporate responsibility framework as followed in many other countries:

- Sustainable Development
- Business Ethics
- Human Rights
- Legal Compliance
- Corporate Governance
- Stakeholders' Dialogue
- Fair Employment
- Health & Safety
- Labour Standards
- Community Relations
- Environmental Responsibilities.

Primary information has been solicited from three groups of stakeholders:

- Companies/Employers
- Civil Society Groups
- Workers/ Employees [these two terms have been used in the paper interchangeably]

The selection of stakeholder groups facilitated depiction of a comprehensive picture of various aspects of CR practices in the country.

One of the objectives of the study was to focus on the relationship of corporations with civil society, workers and the consumers. A formidable task of the research was to address the conception of the civil society and the workers. Thereby the study recognises the valuable views of the representatives of the civil society organisations on issues such as labour rights, community relations, workplace environment and sustainable development.

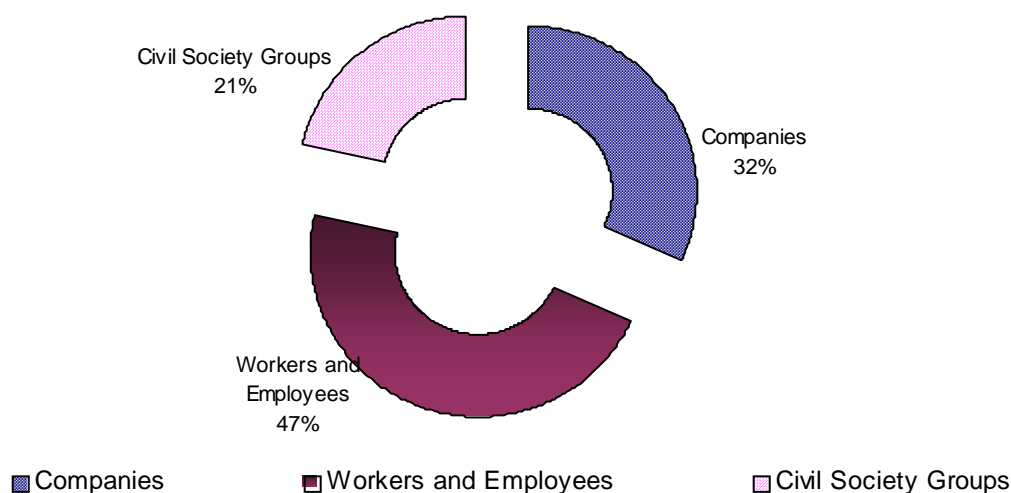
The analysis in the study was targeted to understand the overall corporate responsibility status in the corporate world of Bangladesh as well as to obtain perception of the other two major stakeholder groups i.e., civil society and workers. The study also attempted to develop a set of policy recommendations for addressing the major concerns derived from the analysis.

Study Methodology

The current study is based on both primary and secondary sources of information. For collection of primary information, three sets of questionnaires were developed based on the best international corporate responsibility practices. The main criteria for selection of the enterprises for primary information collection were the number of employees and size of business which are considered as approximation for ‘corporates’ in the context of Bangladesh. The major enterprise groups selected for the primary information collection included: Ready Made Garments (RMG), energy, leather, pharmaceuticals, construction, ceramics, plastics, software, engineering, food and agro-based industry, textiles and jute. The civil society group comprises people such as academics, gender activists, action researchers, chamber leaders, intellectuals, and trade union leaders. Workers and employees have been selected from the RMG, energy, pharmaceuticals, construction, and software industries. The total sample size for primary information was 151. A stratified random sampling method was followed to construct the sampling framework, i.e., after selection of the major groups from the enterprises the sample was drawn randomly within each group. The respondents of the primary survey were selected from Dhaka city which represents the largest concentration of corporate entities in the country. The number of the enterprises in each group was selected proportionately. The sampling distribution among the stakeholder groups and within each stakeholder group is presented in Figure 1 and Appendix Figure 1 and 2. In the survey questionnaires for workers and civil society, the

Likert scale (from 1 to 5) has been used to understand the satisfaction level on various issues as well as degree of agreement with various perceptions. Score 3 has been taken as desired level. Any score above 3 has been considered an acceptable situation with scope for improvement, while a score below 3 shows a dissatisfactory situation. All scores have been calculated as weighted average with share of responses.

Figure 1. Sampling Distribution Among the Stakeholder Groups



In designing the survey questionnaires, efforts have been made to keep the questionnaire unbiased by restricting the responses of the interviewed in *yes*, *no*, *not applicable*, and *no response* categories. Besides, provision was also made for any comment on the issues related to each of the questions. This was aimed at having a clear concept about the issues covered in the study.

Issues such as business ethics, company's overall mission and vision, corporate governance, employment, code of conduct, respect for human and labour rights, health and occupational safety, community relations and various environmental responsibilities and sustainable development featured in the interviews.

Scope of the study

The study attempted to capture the current status of the corporate responsibility practices in Bangladesh. The exercise of quantification of corporate responsibility status is first of its kind in Bangladesh which provides the study the status of a benchmark study. The interview process was rigorous to obtain accurate information and actual perceptions of the respondents. The limited sample size and geographical concentration did not undermine statistical significance of the study, however, a survey with larger sample size might give a more accurate picture of revealed status. The different questionnaire structures for the three stakeholder groups limits the scope of extended comparison of the

statements made by three stakeholder groups, however, major concerns could be classified from each of the stakeholder groups.

II. CORPORATE RESPONSIBILITY PRACTICES IN BANGLADESH: ENTERPRISE PERSPECTIVE

Overall corporate responsibility

It is argued that the fundamental concept of corporate responsibility is that the corporations have a symbiotic relationship with society, and have responsibilities toward society beyond profit maximization. In this regard a clear mission and vision statement of the companies is deemed as a primary indicator. Companies are expected to articulate their commitment towards the society in their respective mission statements. This helps to maintain the quality and quantity of the goods and services companies produce, and also influences the quality of the environment, quality of life and the society and also the sustenance of the companies. Corporate social programmes must include but should not be limited to these. Ethical commitments and corporate policies should be applicable throughout the company operations. However, a policy may not contribute much to the solution of any practical problem if there is no mechanism for its company wide implementation and measurement of accountability. Transparency of company activities should be ensured so that even the impact of any social responsibility programme can be evaluated by those who are most affected.

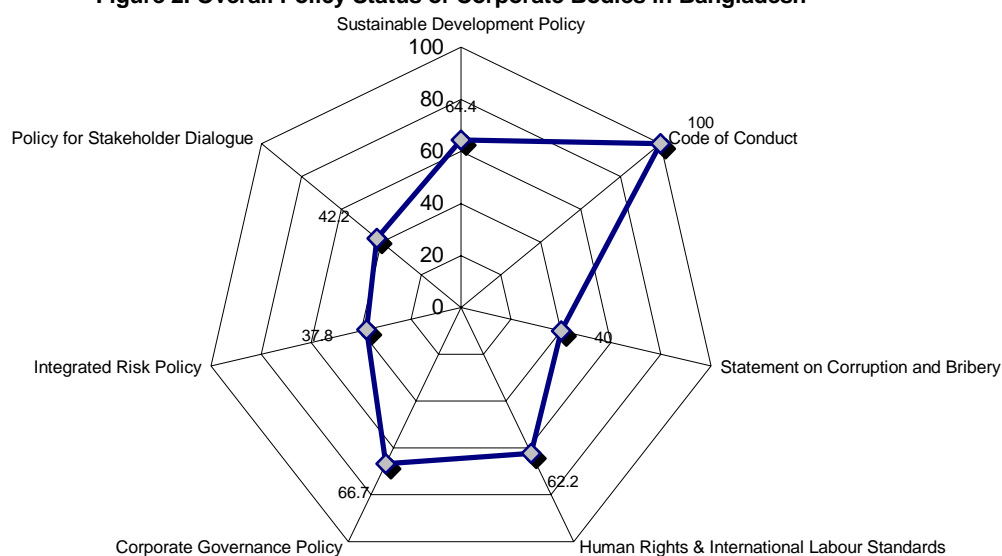
The current study reveals that 71.1 percent of the corporate entities in Bangladesh have a vision and mission statement, which is a very encouraging sign. A few of the respondents put forward their mission which was to attain leading position in the market in terms of both quality and quantity of their products and services. Application of the corporate policies to all operations is limited to only 46.7 percent of the companies. The overall policy status in terms of availability of various policies for addressing particular operations in the business is presented in Figure 2. The figure shows that 64.4 percent of the companies have a sustainable development policy, whereas a policy to ensure human rights and international labour standards is present in 62.2 percent of the entities.

Elements of human rights which are of particular interest to business include labour standards, the management of security forces and rights of the indigenous people. The core labour standard as established in the ILO Core Conventions, i.e. the basic human rights in the workplace which includes rights of collective bargaining, freedom of association, freedom from discrimination in the employment and occupation and freedom from forced labour, must be respected as a precondition of ensuring corporate standard. When asked if they made any public commitment to the universal declaration of human rights and international labour standards; the respondents were of the opinion that they abide by the existing laws of the country. To this point it should be mentioned that

Bangladesh is a signatory to the International Bill of Human Rights which comprises the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights and the Universal Declaration of Human Rights. However, none of the companies were found to assign a board director for monitoring and addressing human rights related issues in their respective companies. It cannot be denied that effective and regular monitoring of any violation of human rights and on these issues is vital for establishing an ethical corporate culture. The survey, however, showed that in only one fourth of the cases there is a system in place for reporting on human rights issue in the manufacturing industries in the country.

The adoption of corporate governance policy has been observed in 66.7 percent of the companies and compliance with national or international benchmarks are maintained in 43.3 percent of the companies. A considerable percentage of the respondents informed that they do not fully understand the concept of corporate governance. In response to the enquiry as to how the company reports on major incidents and accidents, the interviewees referred to a wide range of measures including issuance of notice as per the commonly upheld global and regional practices, their own standards permitted by the existing laws, provision of life insurance facilities, issuance of report by officials assigned for such purposes and taking appropriate steps as per the decision of the management. However, availability of the integrated risk policy, policy for stakeholders dialogue and policy on controlling corruption and bribery is as low as 37.8 percent, 42.2 percent and 40 percent respectively. Interestingly, all companies have code of conduct applicable at least for their employees.

Figure 2. Overall Policy Status of Corporate Bodies in Bangladesh



Indifference as regards integrated risk policy indicates the vulnerability of the corporate entities to external shocks. From the interview of some of the corporate chiefs it has been

identified that some of the chief executives of corporate entities do not even consider the issue of integrated risk management to be applicable to their case. It is, however, unclear whether they consider their respective corporations as *absolutely risk free* or they think it to be something which is not mandatory. The level of interaction among the stakeholders is very low, which has been proven by the widespread reluctance of the companies in terms of taking the opinion of the stakeholders into consideration in formulating their corporate goals and strategies. The data shows that majority of the companies do not consider the impact of corruption and bribery problems which poses the risk of sub optimal operations of the companies. Maintenance of a code of conduct, by all respondents by contrast, might rather be interpreted as an attempt by the companies to make the employees more amenable to authority. The spirit of the code of conduct is that it should act as a *tool* which was needed for establishment of corporate discipline.

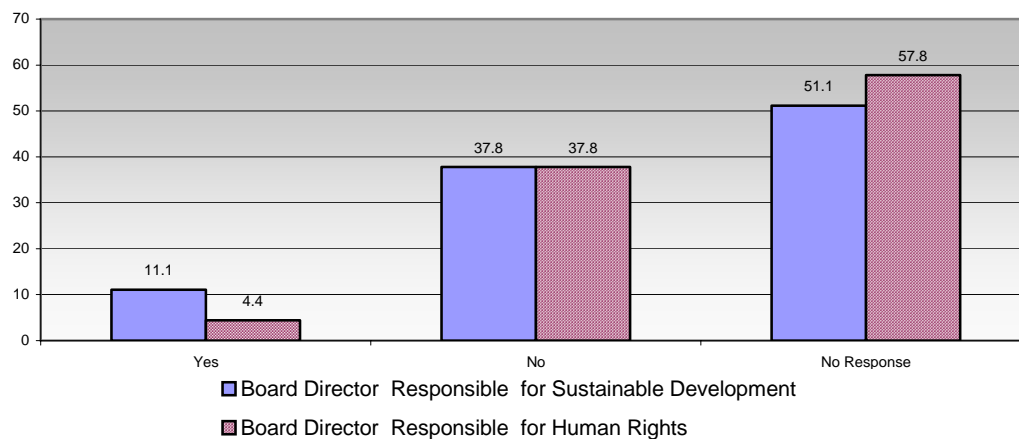
While availability of the policies on important operational aspects is vital, policy implementation largely depends on availability of committed persons responsible for implementation. The study found that committed persons are available only on the issue of sustainable development and human rights, though they are extremely limited in number. On the issue of sustainable development and human rights the corresponding percentages are 11.1% and 4.4%. In other cases the implementation of the policy depends on the wish of top management or the policy is only on papers.

The data on business ethics and relevant matters reveals (see Figure 4) a thought-provoking picture of practicing business ethics in the corporate world of Bangladesh. The study reveals that training and awareness building activities on ethical issues are practised in 53.3 percent of the companies. The study found that companies claim a high rate of compliance with relevant legislation and practicing audit of implementation of business ethics respectively in 97.8% and 91.1% cases.

Respectively 17.8% and 4.4% owners told that they had the experience paying fines and facing civil suits on grounds of violations related to labour rights. Availability of policy to control corruption and bribery was found only in 40% of the companies. The possible reason of lower incidence in paying fines or facing civil suits might be the existence of nexus between law enforcing agencies and companies. The existence of self-control mechanism in practice in the companies is very unlikely considering the findings of other studies regarding the incidence of corruption in Bangladesh [Hasan, 2002; TIB, 2000, World Bank, 2000]. One of the most important aspects and major stakeholders of corporations are the employees. So there should be some concrete measures and codes in the corporation for building its image of showing respect to its workers. A recent study throws some insights in the current business practice. Today corruption and bribery are regarded as one of the *requirements* for doing business in the country [TIB, 2000]. Our present study corroborates this apprehension. Even though only 40% of the companies surveyed have a statement on fighting corruption and bribery, only about 29% follow the

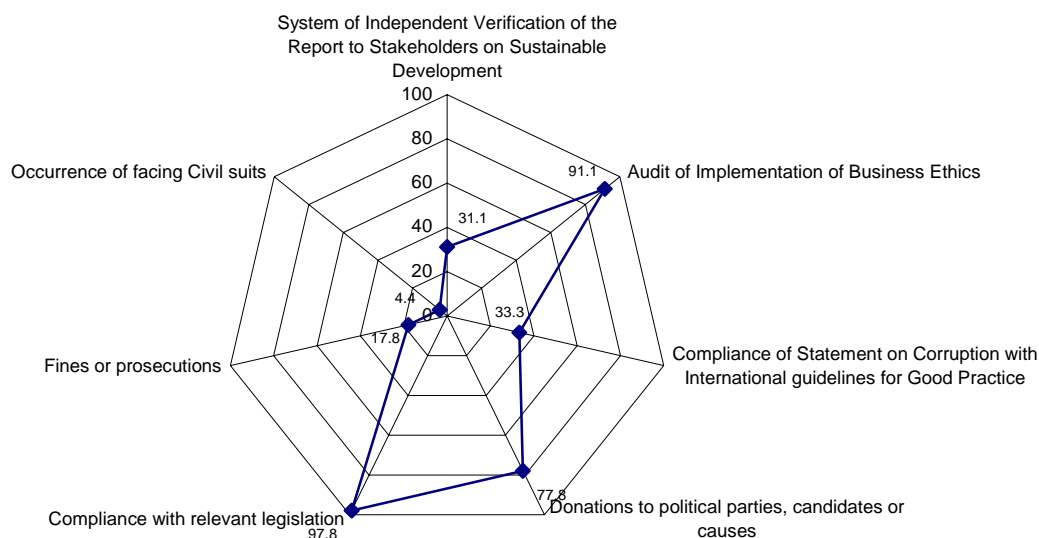
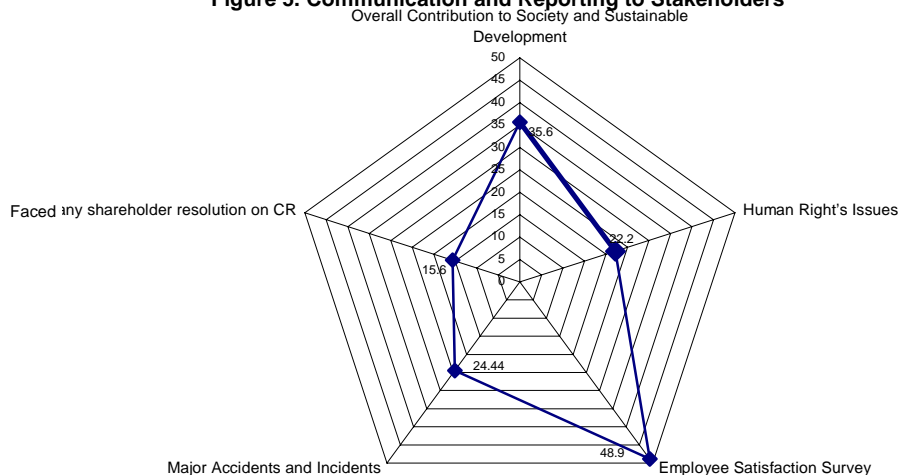
Transparency International or any other international guidelines to ensure good practice. Figure 4 also shows that the prevalence of political donations is high (77.8%).

Figure 3. Availability of Responsible Person for Sustainable Development & Human Rights



The study found that the availability of the policy related to stakeholder dialogue is only 42.2 percent. Among these companies only 35.7 % report to stakeholders regarding their contribution to society and sustainable development. The incidence of interaction with stakeholders on human rights issues and major accidents and incidents is also very low (22.2% and 24.4% respectively). Only 15.6% of companies have the experience of consultation with the stakeholders regarding the corporate responsibility issues in terms of facing shareholders resolution on corporate responsibility. Around 49 percent of the companies conduct employee satisfaction surveys. The mostly practised modes of communication and reporting with stakeholders are: annual reports to shareholders, regular meetings, regular updates with external shareholders and regular advertisements. Only 8.3 percent of companies follow specific standard guidelines for stakeholder communication and reporting.

The majority of the companies have membership in national business associations (71.4%), 25.7% of the companies are members of both national and international associations. Around 64% of the companies follow standard business principles. Among them a majority follows the business principles of ICC (70.4%), others follow the business principles of Global Compact and OECD. A few companies have developed their own business principles.

Figure 4. Business Ethics and Relevant Matters**Figure 5. Communication and Reporting to Stakeholders**

Labour Practices by Corporate Entities

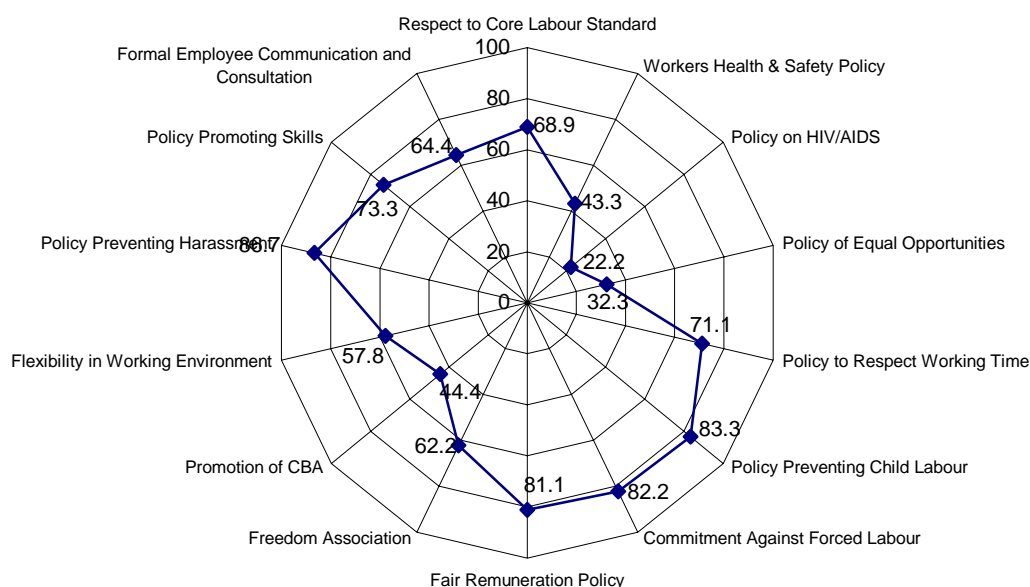
A review of the existing company policy and strategy pertaining to employees or workers shows that 68.9 percent of the companies have an established public corporate framework for human resources which ensures respect for core labour standards, management of employee relations and communications, training for skill development, health and safety and equal opportunities. It was observed that although about 29% of the companies do not have such a policy, in 53.3 percent of companies the policy was not designed in consultation with the stakeholders. In 66.7 percent of cases this policy is not applicable for part-time or temporary staff members.

It needs to be mentioned here that the company executives refrained from making any detailed remarks on a number of queries relating to labour practices which include:

- ❑ whether the labour policy of the company are applicable to part-time or temporary workers and employees
- ❑ whether the companies audit effective implementation of the labour policies
- ❑ whether the companies audit implementation performance of the health and safety policies
- ❑ whether the companies have any dispute resolution mechanism to deal with staff concerns
- ❑ whether, as regards labour supply, the company has committed itself to and external code of conduct or practice or whether the companies have supply chain monitoring systems in place for social and environmental concerns.

A general finding of the survey was that, in most of the cases, the responsibility of implementing and monitoring of the labour policies is delegated to the senior staff members of the companies. Such responsibility is delegated to a senior staff in 66.7% of the companies. The resource allocation for the purpose of maintaining core labour issues has been observed in 57.8 percent of the companies. Half of the companies have developed set targets and procedures for maintaining core labour issues.

Figure 6. Labour Practices: Policy Status



For effective implementation of the core labour policies 64.4 percent of the companies conduct regular audit of implementation. Generally companies review their recruitment and human resource development plan annually. The human resource development plan is also reviewed during expansion of business, new product launching and restructuring of

business. The criteria of recruitment are being set in line with the domestic legislation and ILO core principles, to avoid problems with relevant civil society organisations or government agencies. Among the companies who audit the implementation of core labour policies, 91.1 percent of them meet their labour policy objectives. Only 2.2 percent of the companies confessed that they made unfair dismissals. Only 4.4 percent of the companies suggested that they had violated labour laws in last 5 years. Only 4.4% companies experienced major legal disputes or controversies .

Around 71 percent of companies report on their labour practices; in 55.6 percent of the companies implementation of labour policies is monitored and verified by independent authorities. In most of the cases government agencies monitor the labour issues as a part of the implementation of child labour elimination programme. Besides, the labour court monitors the implementation of core labour standards and settle disputes in business organisations. One third of the companies have SA8000 or similar standards of international certification of compliance. This development took place in Bangladesh during the implementation of the child labour elimination programme in the Ready Made Garment sector.

Around 67 percent of companies have a formal policy to ensure clean, healthy and safe working conditions. However, procedures to implement policy and specific assignment to senior management for implementation is found only in 26.7 percent of the companies [see Figure 7]. Audit implementation related to health and safety policy is present in 66.7 percent of companies. Around 46.7 percent of companies' performance surpasses sectoral benchmarks. Public reporting systems on health and safety policy are very scarce in the corporate world; with only 8.9 percent of the companies practice such reporting.

Addressing the HIV/AIDS issues within companies is recognised as very important in many countries across the world. In the Bangladesh context, the reluctance of the companies regarding the issue is alarming, because only 22.2 percent of the companies have formal policy on HIV/AIDS in the workplace. Among these companies, 44.4 percent have monitoring system of policy implementation. Around 18 percent of companies have HIV/AIDS awareness programme for employees. Only 4.4 percent of the companies provide specific support for employees on HIV/AIDS. More than 42.2 percent of the companies support community outreach programmes dealing with the HIV/AIDS issues. Around 22 percent of the companies are involved in national partnerships on HIV/AIDS.

Policies to ensure equal opportunities and non-discrimination with regard to gender, political or other types of affiliation, nationality or social origin, race, ethnicity, religion, physical ability, age, marital status and sexual orientation are very important. As regards this point, most of the companies informed that they recruit workers and employees only on the basis of their competence and the recruitment process is free of any gender, race or

religious bias. Although the study found that only 32.3 percent of the companies have formal policies on this particular aspect, the ratio could be higher in case the question did not include some of the sensitive issues like sexual orientation. Other than sexual orientation issue, the Bangladesh Constitution guarantees equal employment opportunities for all citizens irrespective of sex, race, political orientation, religion, age etc. Among the companies who have equal opportunities policies, 57.8 percent have systems for monitoring policy compliance. Only 40 percent of the companies with such policies have particularly progressive approach to encouraging diversity through recruitment practices.

Majority of the companies (71.1%) suggested that they have a policy with respect to working time legislation and to ensure that employees are not forced to carry out overtime or excessive shifts.

In the corporate world of Bangladesh, child labour issues received heightened attention during the second half of the 1990s. The study showed that 83.3% of the companies have a policy of not employing under aged children as workers. Commitment towards elimination of all forms of forced or compulsory labour was elicited by 82.2 percent of the companies. The availability of fair remuneration policy, (i.e., a policy to pay minimum wage for living where they operate), was claimed by 81.1 percent of the companies. However, only 40 percent of the companies offer superior benefits (including employee share options and pensions). Of those following policy of paying minimum wages, only 42.2 percent undertake cost of living surveys (formal or informal) to ensure that employees receive a 'living wage'. Only 4.4 percent of the companies were found to be in violation of minimum wage regulations/laws, may be due to manoeuvre of the law-enforcing agencies.

The majority of companies surveyed (62.2 %) recognise or support the right of employees to form and join trade unions. However, the number of companies supporting collective bargaining and recognising right to strike are less than who recognise trade union (44.4%) Companies involved in any type of disputes with trade unions are only a few (13.3%). In many corporate entities, despite the scope for organising collective bargaining agencies the employees are not interested in engaging themselves in trade union activities. This can be explained by attitude towards CBA activities and fear of job loss. The lengthy process of dispute settlement in labour courts is discouraging for the victims to seek justice through court, which explain low rate of complaints.

The majority of companies (57.8 %) have progressive policies to enable flexible working practices and family friendly working. Most of the companies (86.7%) have a policy to prevent sexual, physical or mental harassment of staff members, however, there is serious doubt as to how effectively they are implemented. The incidence of complain regarding sexual, physical or mental harassment is a few, which does not necessarily mean that the

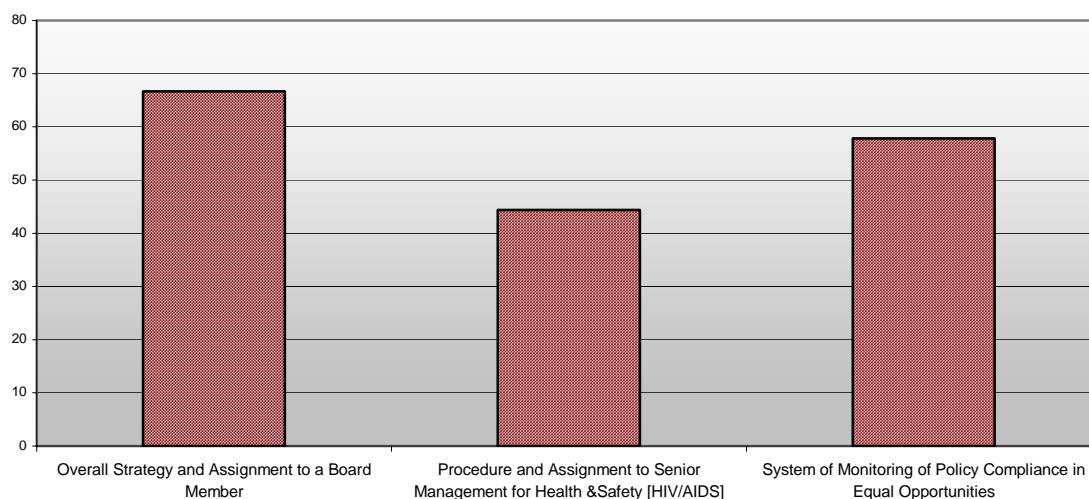
harassment does not exist. The victim of harassment tries to avoid complain due the social taboo or fear of job loss. In the cases when victim complains, the company top management tries to negotiate and resolve it. Companies often apply innovative instruments to mitigate problems. For example, a victim was transferred to the head office as an incentive to withdraw complains of harassment. Both parties were satisfied.

Only 24.4 percent of companies apply their core labour policy framework to their joint venture partners, contractors, sub-contractors and suppliers. Commitment to an external code of conduct or practice is present in only 48.9 percent of companies. The system of supply chain monitoring for social concerns is absent in Bangladesh. Recently a system of supply chain monitoring for environmental concerns has been introduced due to the threat of ban on frozen food import by EU.

Regarding human resource development, 73.3 percent of the companies responded in the affirmative. 36.6% of companies do not have formal processes for employee communication and consultation. Around 44 percent of companies have dispute resolution processes to deal with staff concerns.

The performance of the companies related to human resource management appears to be satisfactory, however there is considerable scope for improvement. Only 4.4 percent generally promote employee interests and develop their skills.

Figure 7. Implementation System of Labour Policies



Community Relations

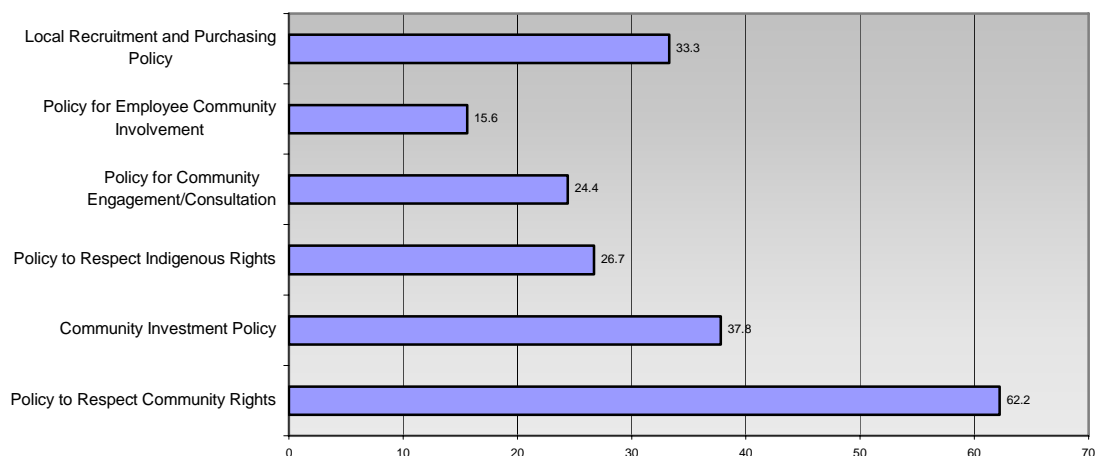
Research in western countries suggests that goodwill with communities plays a positive role in achieving success in the market place. A community can contribute to a conducive environment in which any corporation can prosper. It is one of the reasons for the

growing concern of the business community about their social responsibilities. The Bangladesh study focused on the company's policies on community relations which are presented in Figure 8. The study observed that 62.2 percent of the companies recognise their responsibility to community and have a policy of respecting the rights and needs of the communities in which they operate. Various methods and modes are applied for community engagement, supporting social and cultural activities, sponsoring community programmes, installation of entertaining applications, one-to-one correspondence, participation in community meeting etc. For example, British American Tobacco participates in forestation activities launched by the government. Pepsi-cola and Coca-cola sponsor major social and cultural events in the country. Besides the multi-nationals domestic companies are also active in building community relationship. Most of the sports events are sponsored by domestic companies. Even national dailies like Prothom Alo, the Daily Star, the Independent promote young scholars, anti-acid campaigns etc. Although the rate of community engagement is high among the companies, very few companies (6.7%) carry out community opinion surveys for their subsequent applications and report on its community relations which takes the stakeholder voices into account.

Community investment

According to the study, around 38 percent of companies have a policy to invest resources in the communities in which they operate, particularly investing in various different areas such as housing, education and health. The decisions about donations and community investments are taken through internal discussions, evaluation of individual request and through board discussion. In only 36 percent of companies have formal selection criteria in place and publicly available. Generally companies allocate a certain portion from their profit to make donation to social and community based activities. However, the share of profit to be allocated for such activities is decided on adhoc basis. The performance of the companies in this regard showed that about 13 percent of them make community investment of more than 1% before tax income.

The analysis of company policies on community relations reveals that only about 27 percent of the companies recognise indigenous peoples rights with a specific policy for respecting and promoting the rights of the indigenous people including traditional and customary ownership of land.

Figure 8. Community Relations Policies

Community engagement/consultation

Only 24 percent of the corporates have formal policy of prior consultation with communities before initiating projects and maintaining regular dialogues with communities. The study also indicated that 91% of the companies have never faced any agitation or protest by NGO or any community for company policies, action or project.

Employee involvement

According to the study only about 15.6 percent of the companies encourage employee involvement in the community. But in most cases there is no formal system of monitoring and evaluating employee involvement. It was observed that 13 percent of the companies have a formal system of monitoring and evaluating their employee involvement in the community. These companies also undertake employee involvement surveys and report annually.

The adoption of local recruitment and purchasing policies has many positive externalities both for the companies which encourage it and for beneficiary communities through developing linkage enterprises. The study found that 33.3 percent of companies support and practise local staff recruitment and purchasing from local suppliers.

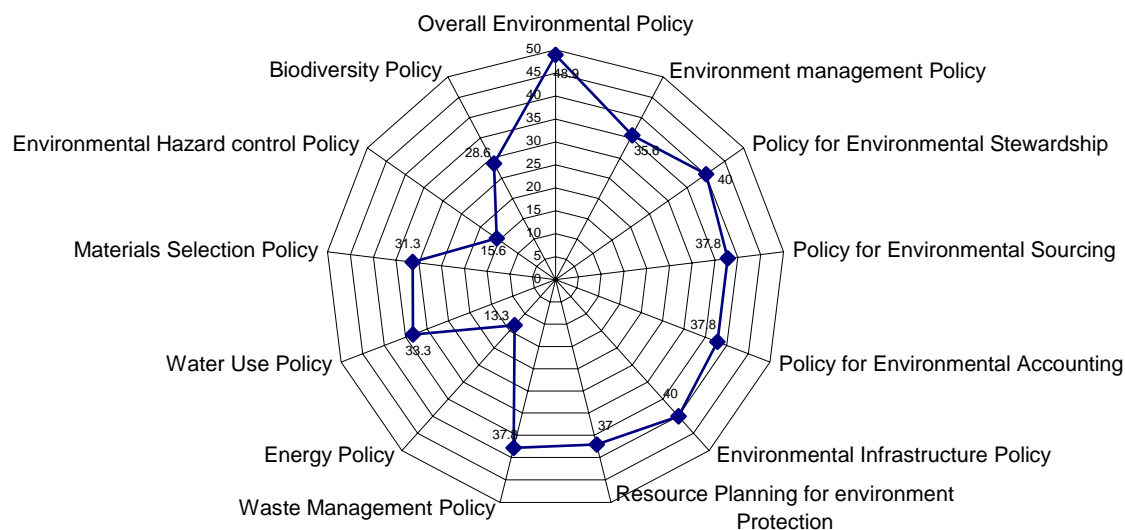
Environmental Responsibility

Overall policy

The recent debate concerning corporate standard is to a great extent rooted in the concerns and accusations coming mainly from the non-governmental organizations, environment and human right groups, consumer associations and the trade unions, as

regards increasing power of the multinational corporations which have gained such strength that in many instance they are supplanting the governmental authority. This they perceived as a basic flaw of the process of globalization. Repeatedly mentioning that globalization results in lower environment and labour standards, environment and labour groups are calling for imposition of restrictions on corporate actions as well as a right to monitor and judge corporate behaviour. Keeping in view the recent debates taking place on the nexus between environment and trade, an attempt was made to understand as to whether the corporations assume responsibility in the area of environment by addressing issues such as environment policy of the corporation, overall management, overall stewardship, overall sourcing and accounting, investment in environmental infrastructure, use of energy and water, selection of material etc. Policy analysis of the companies shows that only 48.9% of the corporations recognise their responsibility in protecting the environment. Most of the companies perceived that they are not involved in any sort of activities which harm the environment adversely. In many of the companies although there is recognition of the environmental responsibility, according to the study 69 percent of the companies do not commit to continual improvement, compliance with regulations, preventive and precautionary actions, resource conservation, zero pollution, risk reduction and minimum standards for all operations. Of such companies, around 28 percent are committed to prior environmental impact assessment of their all new projects.

In the case of only 26.7 percent of the companies, it was observed that there are specific modalities in place to implement the policy such as a board director with responsibility or someone with additional environment related responsibility. Some drawbacks in systems of implementing the policy were also identified. For example, many of the companies do not have specific set of targets for improvement and also key performance indicator. Only 17.8 percent of the companies were found to have set targets for making improvements and performance indicators, 31.1 percent of the companies set aside sufficient resource to implement the policy. It was also observed that only 40 percent of them have the system of arranging training programmes for their employees to ensure that they have necessary environmental skills and capabilities. According to the study fair share of the companies in the country show reasonable performance in promoting environmental programmes. About 46.7 percent of the companies were found to have participated in different voluntary environmental programmes. However, the number of companies in the survey who were found violating environmental legislation and were penalised for it, is very limited. Only 9 percent admitted to having such an experience. This low rate indicates either very high level of self motivation of the companies regarding environmental management, or poor performance of the law enforcing agencies who are responsible for penalizing environment polluters. Unfortunately, the companies do not practice the system of publishing environmental reports on a regular basis.

Figure 9. Policies for Environmental Responsibilities

Overall management

According to the study, about 36 percent of the companies have a formal environmental management system which the company reviews and updates regularly. A very small share (9%) of the corporations were found to have implemented an environmental management system and are committed to independent verification (ISO4000/EMAS). However, no companies have shown any evidence of audit and independent verification of their environment management systems. Not a single company was found, to be revoked due to negligence in implementation of the environment management system.

Overall stewardship

Even though 48.9 percent of the corporations acknowledge their responsibility to the environment, only 40 percent have a policy to manage and minimise the life cycle of environmental risks and impacts associated with their goods and services. Further, only 29 percent have programmes to promote ‘design for the environment’ for e.g. bring a reduction in the energy and toxic materials and increase recyclability and disposability. The study shows that companies which promote ‘design for the environment’ also have systems of quantifying market benefits from sales of the environmentally preferable products. However, only 11.1 percent communicate environmental risks to consumers and users and provide adequate information on efficient use and disposal. Only a few companies (4%) have been awarded independent eco-labels for their products. The frozen food industry can be cited here as an example.

Environmental sourcing

In most cases the sustainable environmental practices are confined within the companies. The study shows that only 38 percent of the companies do not have a policy to apply the same environmental requirements as practised with companies to all contractors and sub-contractors as part of the contractual obligations. Further, even if the policy exists, in 36 percent of the cases, there is neither any system of auditing supplier adherence to environmental conditions nor any system to provide support or training to sub-agencies where necessary.

Overall accounting

It was observed that in only 38 percent of the companies, a policy for keeping account for the environmental cost and benefits including liabilities exists. Although in about 62.2 percent of cases, the companies admit to have made financial provisions, these are published in the annual reports in only 36 percent of cases.

Investment in environmental infrastructure

The policy analysis of the companies also revealed that 40 percent of the companies in the country have a policy for making investments in the environmental infrastructure. But the existing system depicts a different scenario which reveals that a very few companies have the investment policy only on solid waste recovery and recycling. However according to the study, companies did not acknowledge their responsibility to energy recovery or air treatment.

Figure 10. Environmental Infrastructure

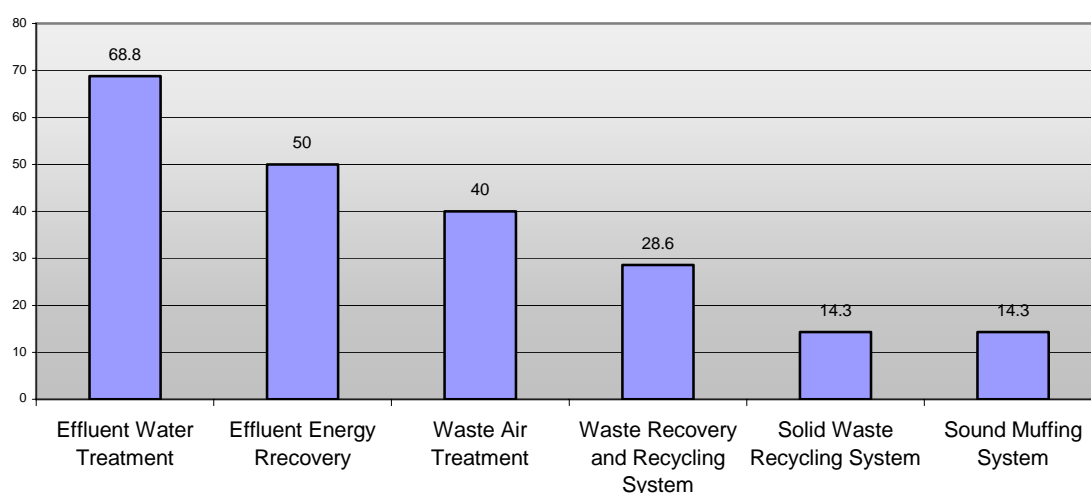


Figure 10 shows the availability of environmental infrastructure in the companies. It is to be mentioned here that each type of infrastructure available in the figure is applicable for relevant set of enterprises, i.e., the figure for availability of effluent water treatment is applicable only for those companies who should have such system. Of the companies which use water, 68.8 percent of them have water treatment facilities. Half of the companies having extensive energy use effluent energy recovery system. Waste air treatment system is used by 40 percent of the companies who are polluting air. A very few companies (14.3%) have sound muffing system.

Resource planning for environmental protection

Most of the companies do not have the policy which undertakes the responsibility to train the employees on environmental protection. According to the study, only 37 percent of the companies have the defined human resource planning for environmental protection and responsible persons defined for specific environmental issues. These corporations also undertake appropriate training courses for these personnel. 40 percent of the companies have responsible person for environment monitoring and most of them (37.8%) have arranged appropriate training courses for the personnel responsible for environment control.

Waste management

Quite an outstanding difference between company policy to manage the waste generated and existing system for their implementation was revealed by the study. The study showed that while only 15.6 percent of the companies have the policy of preventing and minimising waste specially hazardous waste, only 11.1 percent of them have the system in place to implement the policy. The system for minimising the waste was confined to only close supervision which is inefficient without following any standard. In some of the companies there are systems of destroying waste generated in the production, the technology of which, whether eco-friendly or not is also a matter of concern. The waste recovery and recycling system (28.6%) and solid waste management system (14.3%) are rarely present in the companies who ought to use them. [See Box 1]

Energy use

The study shows that very little attention is given to improve efficiency of energy use (only 13.3% companies have formal policy on it) and switching to less damaging source of energy.

Water use

Figure 9 shows that only 33.3 percent of the companies have formal policy for minimising the use of water, and recycling and reusing where possible. It was also

observed that although 33.3 percent of the companies have such policy, 46.7 percent of them have a system for implementation of such policy.

BOX 1: ENVIRONMENT MANAGEMENT IN INDUSTRIES OF BANGLADESH

The important industries in Bangladesh include tanning, textile, paper and pulp, fertilizer, sugar, steel, oil refining, chemical, pharmaceuticals, and other small-scale, agro-based and agro-allied industries. Most industries are located in greater Dhaka, Chittagong and Khulna. Within greater Dhaka, industries are mainly concentrated at Tejgaon, Hazaribag, Demra, Tongi, Joydevpur, Narshingdi and Narayanganj. In Chittagong, industries are located mainly at Kalurghat, Nasirabad, Sholashahar, Patenga, Kaptai, Bhatiary, Barabkunda and Fauzdarhat. In Khulna, areas of industrial concentration include Shiromoni, Khalishpur, Boyra and Rupsha.

Waste from industrial activities include liquid wastewater or effluent, gaseous emission, and solid waste. While gaseous emissions and solid wastes from industries are becoming a matter of increasing concern, liquid wastes or effluents are having the most devastating effects on people and the environment. Effluents, mostly untreated, are primarily discharged into rivers and streams. Since these water bodies are largely used for drinking, washing, cooking, bathing, as well as, for irrigation and fisheries, pollution of the natural water bodies from industrial discharges is having the most damaging effect on the environment. Besides rivers and streams, industrial effluents are also discharged into low-lying lands, causing soil pollution and adding to peoples' sufferings. There are also incidents of water-logging.

Industrial effluents contain a wide range of pollutants that can contaminate surface water into which they are discharged. The pollutants can be broadly categorized into:

(i) biodegradable organic compounds (measured in terms of biochemical oxygen demand or BODs), (ii) non-biodegradable or persistent organic compounds (measured in terms of chemical oxygen demand or COD), (iii) heavy metals [e.g., mercury (Hg), chromium (Cr), cadmium (Cd), lead (Pb), copper (Cu)] and (iv) a wide range of other dissolved substances as well as suspended solids. Textile, paper pulp, food and fish industries as well as tanneries and distilleries mainly discharge biodegradable organic wastes. These wastes undergo aerobic (i.e., using oxygen) decomposition in the receiving water body. As a result the oxygen content of water goes down, endangering fish and other aquatic species. Non-biodegradable organic wastes are mainly discharged by the pesticide, chemical and pharmaceutical industries.

Many of the persistent organic compounds contained in these effluents are toxic and can have a devastating effect on the aquatic environment. Toxic heavy metals are present in the effluents from tannery, paper and pulp industry, electroplating industry, paint, pesticide and other chemical industries. Suspended solids and high concentrations of dissolved salts contained in different types of industrial effluent can also pollute the receiving water body. Appendix Box shows characteristics of effluents from different industries along with effluent standards (GOB, 1997) for discharge into surface water bodies.

Source: People's Report on Bangladesh Environment, 2001

Material selection

The study does not show a growing environmental awareness among the industrial companies regarding the materials use in production process which are less damaging for environment. Only one third of the companies have formal policy which envisaged to select proactively recycled or renewable materials. The analysis of the existing environmental policy in the companies shows that 31.1 percent of the companies have the policy of reducing and removing the use of toxic materials, but there is no system in place as such to monitor their implementation.

Environmental hazards

Figure 9 shows that there is a little understanding among the companies regarding the elimination of environmental hazards. The study shows that about 13.3 percent of the companies have the policy of reducing the environmental hazards to workers and for the community and system in place for emergency response to accidents (11.1%).

Biodiversity

The company policy to preserve the biodiversity shows a dismal situation in the country. It shows that only 29 percent of the companies have a policy for the conservation and sustainable use of genetic, species and eco system diversity.

III. CORPORATE RESPONSIBILITY PRACTICES IN BANGLADESH: EMPLOYEE PERSPECTIVE

The study conducted a survey among the employees and workers of the companies about their perception regarding the corporate responsibility of their own companies. The findings reveal the perception about the corporate practices of their companies, the opinion about how the companies care about the employees and rate their companies by providing the information regarding their satisfaction level. The basic feature of the corporate responsibility practices perceived by the employees and workers are presented in Figure 11.

Child labour

Legislation alone has proved insufficient for eradication of child labour in LDC including Bangladesh. Bangladesh constitution (Articles 23 and 24) contains provisions conveying minimum required age for working. It prohibits the employment of children in factories, mines or in any hazardous work. Bangladesh has also passed a compulsory Primary Education Act., providing formal prescription on parents for not sending a child to school.

Bangladesh is being cited as a model for elimination of child labour from factories due to its success in eliminating child labour in RMG industry. [See Box 2]

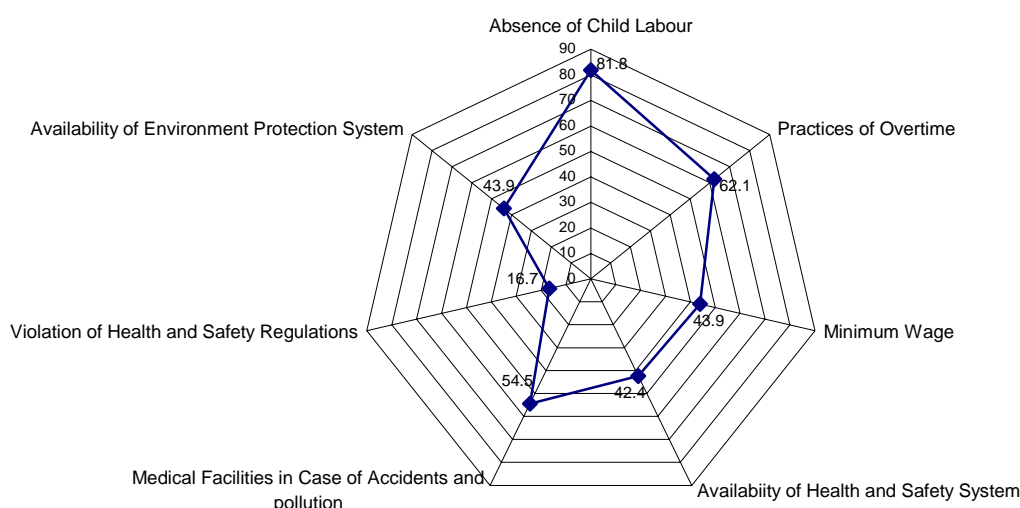
In Bangladesh, a study conducted by the UNICEF and the ILO (Berlan, 1997) tried to trace some of the children released from the garment industry to see what happened to them after their termination.

Some of the terminated children were found working in more hazardous situations, in unsafe workshops where they were paid less, or in prostitution. More importantly, of

them there is the question of survival of the whole family, which leads children to go in search of jobs. In most of these families, the children's contribution made the difference between destitution and survival (Chowla, 1996:16).

Child labour issues have been addressed seriously in the country and it is also evident by the employees' response, 81.8 percent of the employees opined that their companies do not employ children under age of 14 working in any capacity. Where the children are employed, most of them (according to 66.7% of the employees) are temporary. One third of the employees attested that the temporary employed children receive training.

Figure 11. Perception of Employees/Workers on Corporate Responsibility



Working hours

More than 62.1 percent of the employees opined that the companies have practices to allow employees more than eight hours or more than one shift per day. Around 40 percent of the employees suggested that the payment for overtime is less than for regular time. Higher than normal rates of overtime work have been experienced by 32.6 percent of the workers. More than 11 percent of the employees get no extra payment for working beyond eight hours. Only 43.9 percent of the employees opined that they get minimum wage fixed by the government.

Although most of the workers are paid for their overtime, the level of satisfaction according to the study is not very high. It was observed that only 13.9 percent of them are satisfied with what they are paid whilst 63.9 percent are found to be quite dissatisfied. According to 50 percent of the dissatisfied workers, the companies do not pay the minimum wages as fixed by the state government. Although the 42.2 percent of the workers think that their wages are in compliance with as what the government has fixed,

the level of satisfaction among the workers about their wages is not high. The analysis of the individual level of satisfaction shows that 69.7 percent of the workers are quite dissatisfied whereas only 20 percent are satisfied with the overall labour practices of the

BOX 2: CHILD LABOUR ESTIMATION

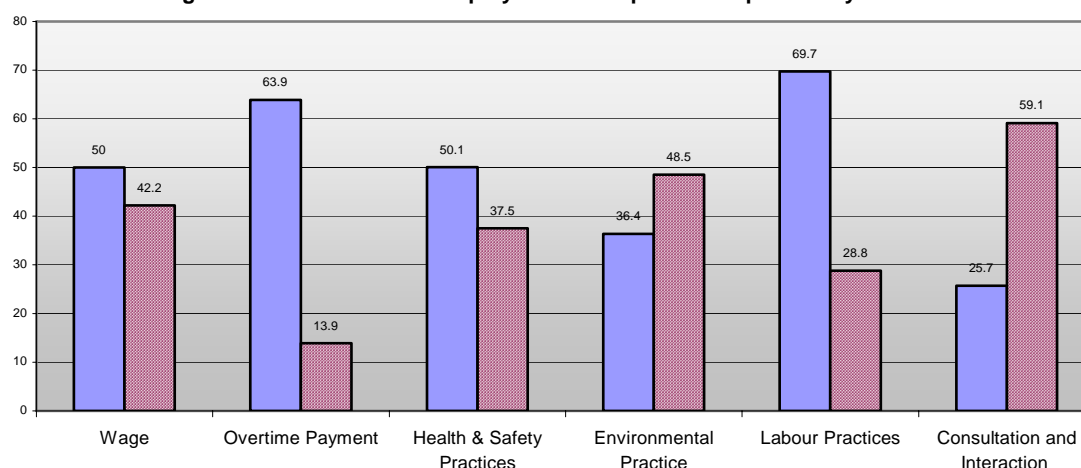
After protracted and difficult negotiations between the BGMEA, the ILO, UNICEF, and the US embassy, as well as other NGOs participating as interested parties, an agreement was finally signed in July 1995. This agreement was immediately hailed as a breakthrough and a model that other nations with a child labour problem could emulate. According to this agreement, the industry will immediately take concrete actions to layoff all under-aged workers from the garment factories. The industry will provide a stipend to every school-age child laid off from the garment factory so that the child can attend school up to age fourteen and return to work as an adult worker. An independent team of inspectors under ILO leadership will subject garment factories to occasional surprise visits to monitor the agreement. Since this agreement was signed, the issue of child workers is no longer in the news headlines. The industry seems to have successfully tackled yet another challenging problem.

As a result of this agreement ten thousand children who previously worked in garment factories are now enrolled in 353 schools, thanks to their tuition being paid by the industry. Each student receives a monthly stipend of Tk. 300. This stipend will continue until the child reaches the age of fourteen. In July 1998, at the third anniversary of the signing of the original Memorandum, a new programme (Earn and Learn) was launched where those students who reach age fourteen and remain interested in continuing their schooling become eligible for further educational support. Currently 142 students are enrolled in this second-phase programme. The classes are held in the morning and after 10 a.m. the students can work to receive a decent salary.

Source: BGMEA Newsletter, Special Issue, 1998.

companies.

Figure 12. Satisfaction of Employees for Corporate Responsibility Practices



Workforce

The analysis of workers' perception about employing female labourers in the companies shows that about 56 percent of the general workers agree on the point that the companies

do not prefer employing women, and 50 percent of the workforce agreed that the companies and the organisation in the country prefer to employ women workers of certain age groups. Although 37.8 percent of the workers think that the companies do not provide any special benefits and facilities to women workers with babies and children, whereas about 39.4 percent of the workers agreed that companies do provide some facilities. Around 22 percent of the employees refrained from any comments.

The study also reveals that among 14 percent of the total interviewed workers agreed that the company provides a day care system. A few companies provide some other internal facilities such as a place for breastfeeding, a rocking cradle, granting three months maternal leave etc. The majority of the workers who do not have access to the above facilities in their companies, expect either day care facilities or spare time for feeding children.

Health and Safety

It was observed from the survey that only about 42.4 percent of the workers are familiar with any health and safety system that might be expected in the working place. The employees mentioned about the availability of fire control system (53%), medical facilities (30.3%), security guard system (39.4%), gas leakage or smoke detection system (4.5%), proper sewerage system, availability of dust bin, spitting box, toilet facilities, dust mask for employees, insect killer system, safety equipment in construction place, gymnasium facilities etc. The study observed the lack of awareness among the employees about the availability of health and safety system.

According to 55.4 percent of the workers, the company does not have any formal training programme on health and safety protection for its workers. The system of providing medical facilities to the workers for accidents and health impacts due to pollution occurring in the factory, does not appear to be very satisfactory according to the study. Although 55.4 percent of the workers mentioned that the company does offer some medical facilities such as medical leave and covering some part of the medical expense. According to about 33.8 percent, there is no such facility available within the company. Among the workers, 16.9 percent mentioned that the company does not maintain the health and safety standards and violate regulations. Around 19% of the employees are not aware of incidences of violation. The analysis of the level of satisfaction in this regard shows that about 50.1 percent of the workers are not satisfied with the health and safety practices in the company.

Environmental regulations

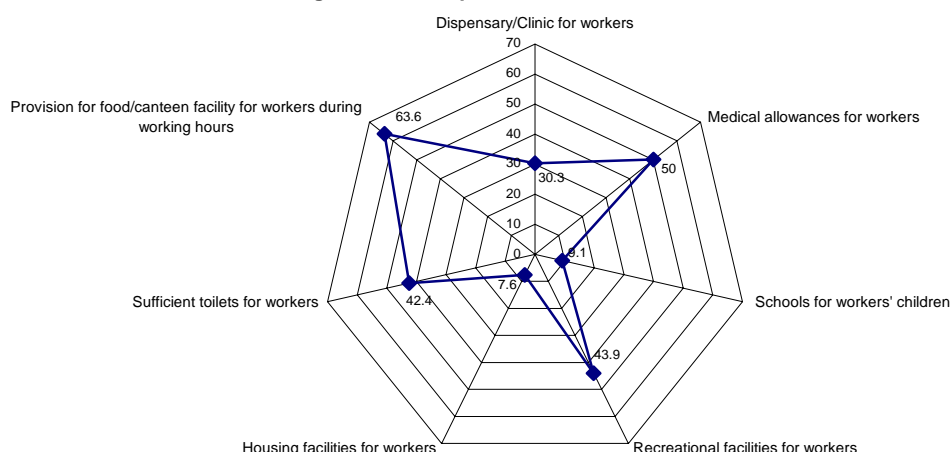
It was observed that only 43.9 percent of the company workers are familiar with the maintenance of environmental system. However, it was only 38 percent according to

whom the environmental policies are regularly monitored and enforced. According to 30.5 percent of the workers, the company arranges formal training programme on environmental issues for its workers. More than 57 percent of the workers are not aware about any incidence of violation of any environmental regulation. The level of satisfaction of the workers with the environmental practices in the company is present among 48.5 percent of the workers.

Benefits

The analysis of different kinds of benefits provided to the workers by the companies shows that only 42.4 percent of the workers responded positively to the issue of sufficient toilet facilities within the workplace. It was observed that in only 63.6 percent cases, there is the provision of canteen facility for the workers during working hours and also availability of some other recreational facility within the company. Only 30.3 percent of the workers mentioned that the company where they work, has a dispensary or a clinic for the workers and they can avail the medical facilities from there. However in a very few occasions (7.6%) the company provides housing.

Figure 13. Perception of the Workers about Benefits



Half of the workers stated that they get medical allowances. The schooling facilities for workers' children is available to only a small group of employees (9.1%).

Labour Practices

The analysis reveals that about 75.4 percent of the workers are not members of any trade union. Those who are member of trade union, do not get response to their needs when required from the trade union leaders. 30% of the trade union member employees complained about that. The level of satisfaction of the workers with the labour policies and practices of the company indicated that around 70 percent of the workers are

dissatisfied with the existing company policies whereas only 29 percent are satisfied. Interestingly, majority of the workers (59.1%) are also found to be satisfied with the level of consultation and interaction between the company and the workers.

IV. CORPORATE RESPONSIBILITY: CIVIL SOCIETY PERSPECTIVE

Along with the company and employee perspectives on the cross cutting issues of corporate responsibility, the viewpoints of the civil society groups on related issues were also sought. Civil society groups do not have concretely defined affiliation with politics, market or the government; yet they represent concerns of the important sections of the people and are expected to come up with views and ideas on issues under the focus of this study. Such views have also been examined and analysed. The present study made an attempt to assess the civil society as regards corporate responsibility practices of the companies operating in Bangladesh, behaviour of the companies as corporate citizens, interaction between the companies and the local communities, labour, environment and human resource development policies of the companies.

Civil society evaluation about country's corporate standard

A major enquiry before the civil society representatives was how satisfied or dissatisfied they are with the corporate responsibility practices of the companies functioning in Bangladesh. According to the study, about two third of the civil society representatives (66%) are dissatisfied with the corporate responsibility practiced by the companies. About 14 percent of them were found to be highly dissatisfied where 52 percent were quite dissatisfied. However, 17 percent of the total respondents were quite satisfied with the corporate responsibility of the companies. About 17 percent of the civil society representatives refrained from answering. The mean satisfaction level of the respondents is 2.38 which is below the average level 4.

Companies' supportive role in favour of community projects

Only 20 percent of our civil society representatives appreciate corporate support for community projects. According to 30% of the civil society representatives some of the companies support community projects, make charitable donations to various educational institutes, orphanages and hospitals, raise funds to deal with different natural calamities etc. By contrast, 50 percent of the respondents are not aware about the companies' supportive role in favour of the community projects. Some of the respondents mentioned that many corporations, though not all of them, come forward for community welfare with such activities as tree plantation, distribution of seeds to the poor farmers, donation to educational, cultural and religious institutions and distribution of relief materials to the victims of natural calamities.

Evaluation of the companies as corporate citizens

The study also reveals the conflicting views by civil society representatives concerning corporate citizenship. Although the majority (more than 23.3% strongly and 33.3% somewhat) expressed their disagreement, 30 percent somewhat agreed with the assumption that Bangladeshi companies are good corporate citizens. None of the respondents strongly agreed with this opinion. As a whole, 56.6 percent of the respondents expressed their disagreement with the idea that Bangladeshi companies are good corporate citizens. Some 13 percent of the respondent refrained from answering [see Figure 15].

Consultation with the local communities

The majority (more than 36.7% strongly and 43.3% somewhat, total 80%) of the respondents representing the civil society strongly disagreed with the assumption that companies consult with the local communities regularly. About 7% of the civil society representatives thought that the companies operating in the country consult regularly with the local community. More than 13% of the respondents refrained from answering. The mean satisfaction level of the respondent is 1.9, which is very low in comparison with average satisfaction level. While commenting on the community-company interaction, the civil society leaders raised a wide range of issues and concerns. Some of the respondents opined that the corporations consult with the community people out of their own needs, and that interaction takes place only on a very limited scale.

Figure 14. Satisfaction Level over CR Practices: Civil Society View

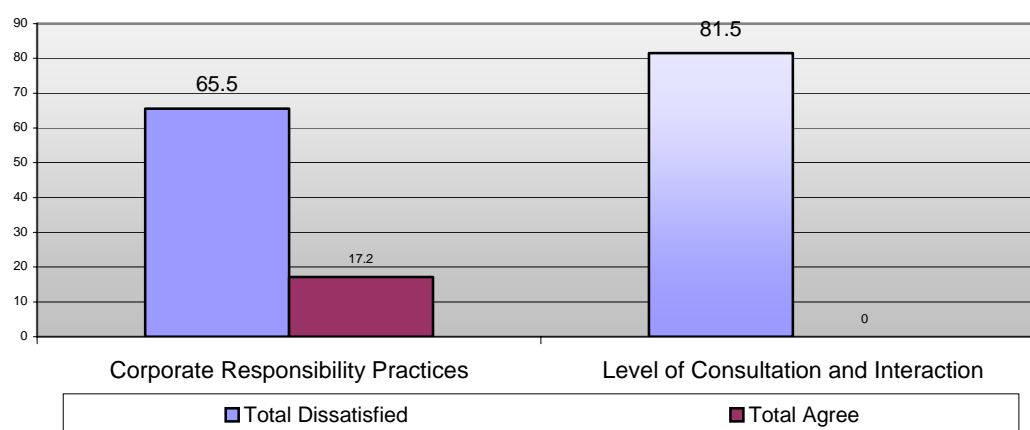
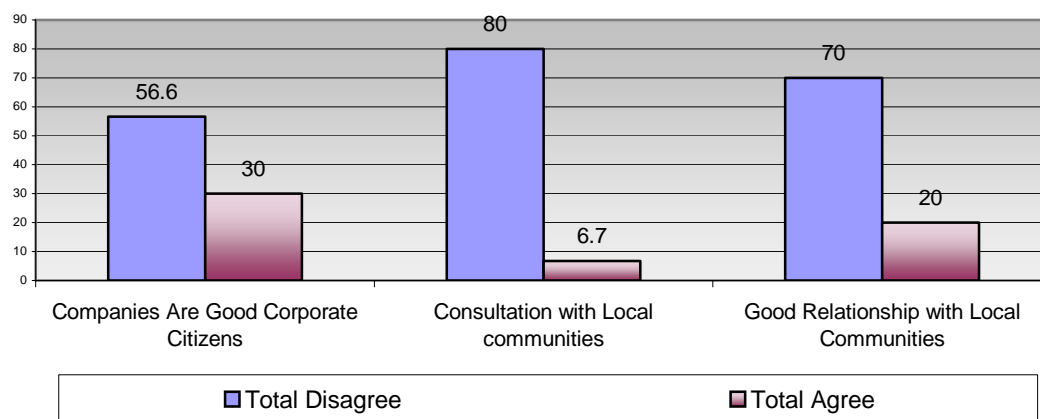


Figure 15. Perception of Civil Society on Corporate Responsibility



Relationship with local community

Among the civil society representatives 70 percent of the respondents are of the opinion that the corporate bodies are not maintaining good relationship with the local communities. Of them 30% strongly upheld this view and 40% gave a moderate opinion. 10% of the civil society representatives refrained from answering. To this point, some of the respondents held that as people with political affiliations dominate community affairs, often it becomes a risk for the corporate entities to interact with the community people in disregard of the political group dominant within certain community. A section of the civil society groups asserted that as the leading corporates do not function in a transparent way, they might consider a greater extent of interaction with the communities as a gateway for *community interference in corporate affairs*. A few of the respondents pointed out that as a consequence of limited consultation by the corporate entities with the community, a close nexus has developed place between the corporate elites and the anti-social elements.

Perception about child labour

According to most of the civil society representatives as the study shows, child and forced labour still persists in many of the companies. More than 73 percent of the civil society representatives indicated that children below 14 years are still being exploited in many industries in the country. However, about 13 percent of the representatives did not observe any such exploitation nor did they consider there to be any ongoing forms of exploitation. These representatives noted that children work to help respective families financially. More than 13 percent of the respondent refrained from answering.

Among the respondents who highlighted the exploitation of the children, 78.3 percent also noted that companies (apart from job training) are not providing any kind of

education or training to these exploited children. More than 21 percent of the respondent refrained from answering.

Overtime practices

Most of the civil society representatives (93%), noted that industries in the country have a practice of allowing workers to work for more than eight hours i.e. overtime or more than one shift per day. The civil society leaders pointed out that the practice of working extra hours is widely prevalent in most of the corporate sectors; the workers work under a very exploitative condition. The respondents held that as the workers are underpaid in most of the cases, they show interest in working extra hours in the hope to earn extra money. Taking the advantage of this, the authorities keep the workers engaged in the work for long hours often without paying them the due wages.

Minimum wage

In most cases (more than 58%), the civil society representatives have stated that the companies do not pay the minimum wage as fixed by the government. However, about 35 percent held that the companies in the country pay minimum wage to their workers. On this issue, the civil society representatives put forward a wide range of comments. Some held that the national minimum wage is paid only in the public sector while, according to some others, because of unholy alliance between the trade union leaders and the employers, the common workers are deprived of the nationally set minimum wages.

Human rights

Regarding the issue of human rights violations, more than 62 percent of the civil society representatives recognised that the companies are usually involved in human rights violations. It was only 17 percent of the representatives who did not find any usual violation of human rights by the companies. Most of the civil society people were highly critical about the sincerity of the corporate leaders in terms of respecting the fundamental rights of the workers. Citing newspaper reports which highlighted the gross human right violations taking place in the corporate circles, some civil society leaders pointed out that the low paid wage earners are exposed to multifarious violations of human rights, from underpayment to physical assault and from legal harassment to suspension without genuine reasons. They held that the women employees and workers are relatively more victimized than their male colleagues.

Environmental management

According to about 68 percent of the civil society representatives, the companies do not follow policies and procedures for the environmental management and resource conservation, especially in the local context. Only about 18 percent felt that companies

follow local policies and procedures for environmental management and resource conservation.

Most of the civil society representatives (89 percent) also agreed to the point that companies often violate environmental regulations. Only about 4 percent of them think that companies do not violate the environmental regulations. More than 83 percent of the civil society representatives were found to be concerned about the environmental degradation in the form of waste discharge and others by the company activities. They also stressed the need for enactment of appropriate laws and implementation mechanisms for making the corporates more careful about protection of environment. [See Box 3]

BOX 3: THE ROLE OF A STRONG CIVIL SOCIETY FOR ENVIRONMENT PROTECTION

Civil society movement in Bangladesh for clean environment and green tax is very weak indeed. With a strongly mobilized social movement spearheaded by a vibrant civil society the demand for clamping green taxes in Bangladesh is likely to heighten gradually. At present, environmental activism is, so to say, confined to an enlightened segment of the population - intelligentsia, lawyers, journalists, academics and NGOs. The realization of green tax objectives, specifically the demand for mitigation of harms to the general mass of people, is intimately bound up with the quality of civil liberty and individual rights enjoyed by the people. In a country where basic social services to be delivered by the state such as protection of life and properties of the citizens are uncertain and costly, an issue like environmental degradation that hits the weak most will naturally take the third or the fourth place in the national agenda of priorities. Although damages wrought on the people by a very small segment of a powerful group are quite glaring, existing socio-political processes and institutional mechanism help them pollute the environment and pass the burden on to the weak. However, some efforts at developing a network involving regional and international forces are proving successful. The NGO network has to be further strengthened, and gains so far achieved have to be consolidated. Concern for environmental care sounded in the rituals of policy pedagogy and public pronouncements cannot be translated into practical actions unless a strong popular front headed by an effective civil society comes up imposingly.

Source: People's Report on Bangladesh Environment, 2001.

Consultation and interaction between the companies and civil society

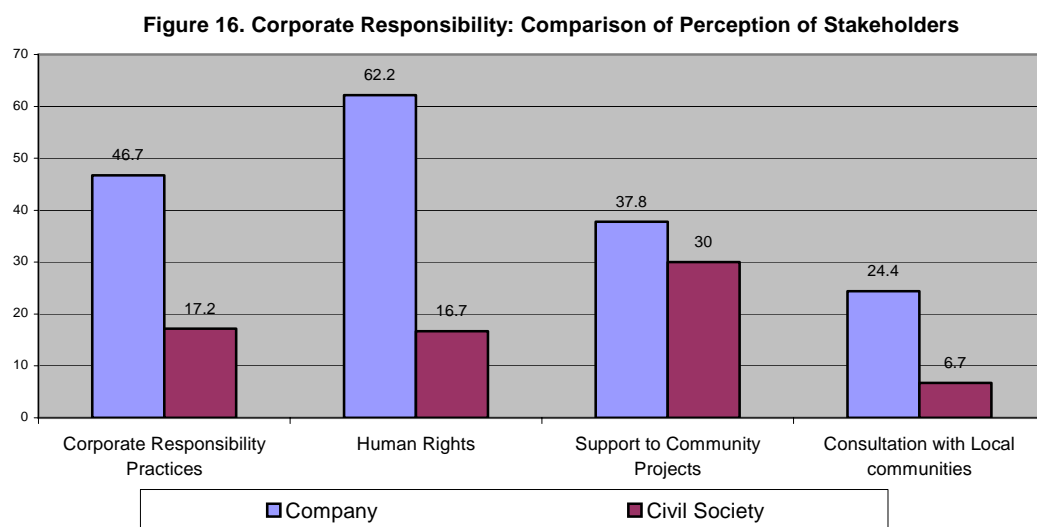
The analysis of civil society's perception with regard to the consultation and interaction that takes place between civil society and the corporations reveals only dissatisfaction with the existing status. In Figure 14, the level of satisfaction is shown, where it is observed that 81.5 percent (22% of which were found to be extremely and 59% were quite) dissatisfied with the level of consultation. However, more than 18% of the respondent refrained from answering. No one responded positively in this regard. The mean satisfaction level of the respondent is 1.96.

V. CORPORATE RESPONSIBILITY: AGENDA FOR BRINGING CONVERGENCE

Variability of perceptions

The study revealed variations of perceptions about corporate responsibility by the major stakeholders in the Bangladesh context. The civil society and workers have negative attitudes and perceptions in general about the corporate world of Bangladesh. The variability has been presented in Figure 16-18. The companies themselves rate low regarding the status of corporate responsibility practiced; with only 46.7 percent of the companies applying corporate policies to all of their operations. However, civil society representatives have an opposite opinion about corporates in the country. Only 17.2% have acknowledged corporate responsibility practices in the country. While 62.2 percent of the companies claim that they uphold the principles of human rights, only 16.7 percent of the representatives of the civil society appreciate the good performance of the companies in area of human rights.

The judgment of these two stakeholders about how corporates support community projects are almost convergent, 37.8 percent of the companies claim that they support such projects, while 30 percent of the civil society members are of same opinion. Companies are realistic regarding the consultation with local communities, with 75.6 percent of the companies admitting that they have little consultation with the local communities, while only 6.7 percent of the civil society members think that the companies are consulting with the local communities during the implementation of any project.



The variability of perceptions is more vivid in the Figure 17 which shows the comparison of the perceptions of all three groups in the study, companies, civil society groups and workers and employees. Regarding the child labour issues, both company executives and workers (83.3% and 81.8% respectively) indicate that child labour is not present in the companies, but the civil society groups make departure on this issue, with only 13.3 percent of them agreeing about the non-existence of child labour in the companies. Regarding the practice of overtime, civil society is at odds with the companies and workers again, 71.1 percent of the companies and 63.1 percent of the workers think that

overtime is present in most of the companies, while 93.3 percent of the civil society members think that overtime is common practice. However, regarding the minimum wage issues the civil society groups and workers almost converge in their opinion, 33.3 percent of the civil society members and 42.2 percent of the workers agree that companies are paying minimum wages. The majority of the companies (81.1%) claim that they pay 'living wage' to the employees.

Concerning environmental issues, interestingly, 45.3 percent of the employees rate the companies environmental management systems higher than the companies' (only 35.6%) own assessment. This might be due to the poor exchange of information on the issue. On the other hand, the civil society group is very negative about the environment issue, with only 16.7 percent of them commenting positively about the responsible behaviour of companies towards environment protection. Regarding violation of environmental regulations, none of the employees think that companies are in violation, while 8.9 percent of the companies acknowledge this. Civil society consistently presents negative attitudes, with 83.3 percent of noting that companies are regularly violating environmental regulations [Figure 17].

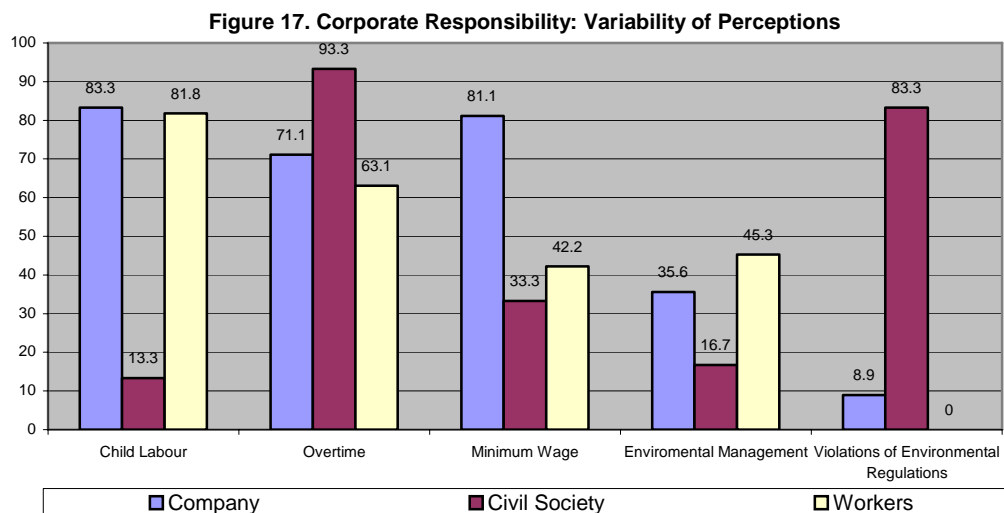
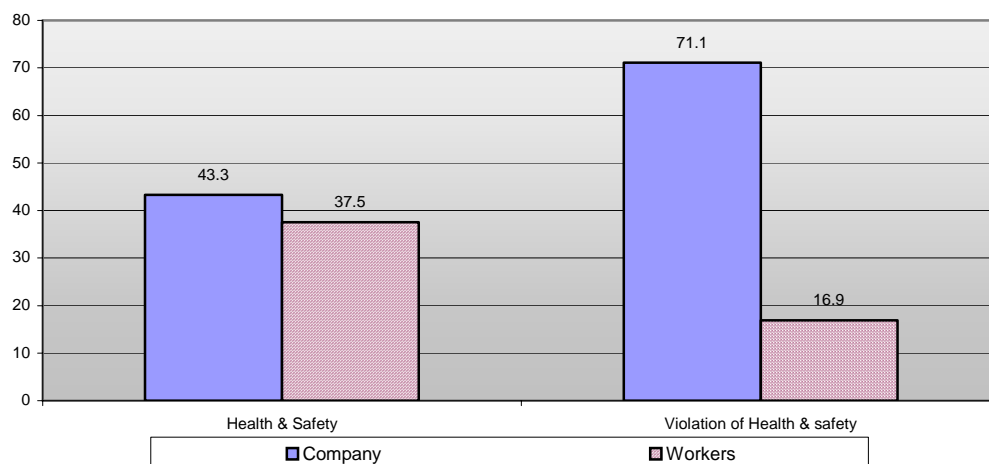


Figure 18. Corporate Responsibility: Claims of Companies and Workers



In health and safety issues companies and workers also depart in their opinion [Figure 18]. About 44 percent of the companies claim that they maintain health and safety standards, while the majority (71.1%) of employees indicated violation of health and safety standards by the companies.

Policy implications for corporate responsibility

The variability of the opinions of three different stakeholders provide huge scope for policy and learning interventions to promote and strengthen corporate responsibility in Bangladesh.

Policy lessons for the companies

- a. As both the civil society group and workers hold negative opinions about the corporate responsibility, companies have to seriously consider how to restore their image.
- b. The variability of perceptions indicates specific areas where to intervene and set priorities. All other issues including overtime issues deserve the attention of the companies.
- c. Environmental concerns should receive greater attention by the companies.
- d. Gender aspects should be more carefully addressed and monitored for their implementation.
- e. Labour practices, particularly overtime and appropriate compensation should be mitigated. Failure to respond will be counterproductive for companies in the long run.
- f. Corporate-community relations are found wanting. More attention should be given toward consultation and communication with local communities.
- g. Health and safety issues deserve greater attention given that failure in these areas impacts negatively on the productivity and endangers human life.
- h. Worker perceptions revealed that they should be more informed about the internal and external performance of companies. The study suggests that more consultation should be held with workers to address their concerns. This would enhance employee confidence and improve company image. Specific areas of intervention deserving special attention have also been identified in the study which need special attention. Labour issues should be given greater priority to improve livelihood of the workers.

Policy lessons for civil society

The role of civil society is increasing in the context of participatory policy design. The polar opposite perceptions of the civil society groups may have different interpretations. On the one hand, this attitude will create pressure on companies to be more responsible,

on the other hand, if their perception is not justified, the reliance of the people on civil society opinion might be shattered with negative consequences. Civil society representatives may need to review these conclusions, where applicable. One particular lesson has been derived from this study for trade union leaders. The study revealed that only 24.2 percent of the employees are members of trade unions and only 21 percent of them think that the trade unions respond positively to meeting their needs. The mistrust among workers towards trade union leaders should be addressed. The findings suggest that the trade unionism should be more constructive and goal oriented.

Policy lessons for the government

The government should ensure implementation of the stakeholder model of corporate responsibility in Bangladesh. While the majority of corporate responsibility issues might be solved at the company level, monitoring and enforcing laws related to labour issues, environment protection, and health and safety are urgent given that the corporate responsibility issues would be used to strengthen neo-protectionism in the global trade arena in the near future. The study also reveals considerable gender discrimination in the workplace which could be resolved with the proactive role of the government.

CONCLUSION

The ultimate conclusion is that corporate responsibility is not just philanthropy and obeying the laws. The emergent concerns are the impact of company activities on society and the needs and goals of all stakeholders. Companies should not attempt to *minimize* the expectations of the society, rather they need to respond to them more efficiently. A common platform of all the three stakeholders is required to pursue the issues of corporate responsibility which include *inter alia*, capacity building to further the implementation of corporate responsibility agenda in Bangladesh.

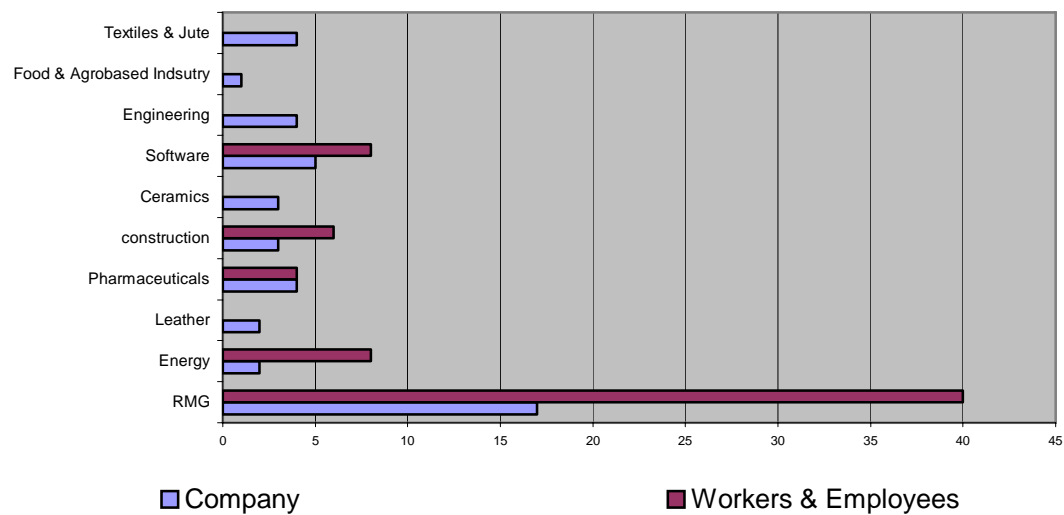
The corporate responsibility practices can play positive role in improving competitiveness in the corporate entities in Bangladesh as well as improve working and living environment for the work force. It is necessary to develop a common platform rather than nurturing antagonism among stakeholders. A common platform will also create bargaining power for Bangladesh in the multilateral fora for protecting national economic interest.

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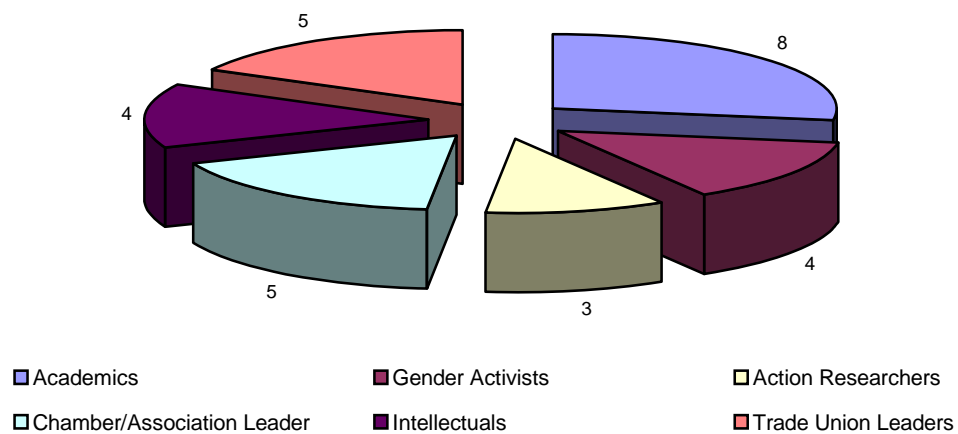
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Appendix Figure 1: Sampling Distribution Among Stakeholder Groups



Appendix Figure 2: Sampling Distribution Among the Civil Society Groups



APPENDIX TABLE 1: PERCEPTION OF EMPLOYEES/WORKERS: GENDER PREFERENCE IN WORK PLACE

[% of Respondents]								
Features	Strongly Disagree	Somewhat Disagree	Total Disagree	No Comments	Somewhat Agree	Strongly Agree	Total Agree	Mean
Preference Against Women								
Employment	36.4	7.6	44	0	21.2	34.8	56	2.16
Preference for Women Employment of								
Age-Groups	39.4	7.6	47	3	37.9	12.1	50	1.88
Special Benefit for Women Employees	24.2	13.6	37.8	22.7	10.6	28.8	39.4	2.22

APPENDIX TABLE 2: SATISFACTION LEVEL OF EMPLOYEES/WORKERS WITH BASIC CORPORATE RESPONSIBILITY PRACTICES IN BANGLADESH

[% of Respondents]								
Features	Extremely Dissatisfied	Quite Dissatisfied	Total Dissatisfied	No Comments	Quite Satisfied	Extremely Satisfied	Total Satisfied	Mean
Wage	1.6	48.4	50	7.8	34.4	7.8	42.2	2.98
Overtime Payment	55.6	8.3	63.9	22.2	13.9	0	13.9	1.94
Health & Safety Practices	6.3	43.8	50.1	12.5	35.9	1.6	37.5	2.83
Environmental Practice	27.3	9.1	36.4	15.2	45.5	3	48.5	2.88
Labour Practices	51.5	18.2	69.7	1.5	21.2	7.6	28.8	2.15
Consultation and Interaction	24.2	1.5	25.7	15.2	47	12.1	59.1	3.21

APPENDIX TABLE 3. SATISFACTION LEVEL OF CIVIL SOCIETY ON CORPORATE RESPONSIBILITY

[% of Respondents]								
Features	Extremely Dissatisfied	Quite Dissatisfied	Total Dissatisfied	No Comments	Quite Satisfied	Extremely Satisfied	Total Agree	Mean
Corporate Responsibility Practices	13.8	51.7	65.5	17.2	17.2	0	17.2	1.44
Level of Consultation and Interaction	22.2	59.3	81.5	18.5	0	0	0	1.08

APPENDIX TABLE 4. CORPORATE RESPONSIBILITY: PERCEPTION OF CIVIL SOCIETY

Features	Strongly Disagree	Somewhat Disagree	Total Disagree	No Comments	Somewhat Agree	Strongly Agree	Total Agree	Mean
Companies Are Good Corporate Citizens	23.3	33.3	56.6	13.3	30	0	30	1.60
Consultation with Local communities	36.7	43.3	80	13.3	6.7	0	6.7	1.06
Good Relationship with Local Communities	30	40	70	10	20	0	20	1.29

APPENDIX BOX 1: SA8000 – STANDARDISING COMMITMENT TOWARDS LABOUR ISSUES

Social Accountability 8000 (SA8000) issued in 1998, is a voluntary, factor based monitoring and certification standard for assessing labour conditions in global manufacturing operations. SA8000 is modelled after the quality and environmental auditing process developed through the International Standards Organisation in its ISO 9000 and ISO 14000 standards. However, unlike ISO9000, it prescribes specific performance standards SA8000 relies on certified monitors to verify factory compliance with the standard. (SAI) Social Accountability International (an NGO), is the sponsor of the standard. Its purpose was to draw up a universal code of practice for labour conditions in manufacturing industry, so that consumers in developed countries could be confident that the goods they were buying had been produced in accordance with recognised set of standards.

*The SA8000 programme offers two separate routes: a) The objective of the first route of this programme is to offer the SA8000 members a self-assessment package and other tools to implement social responsibility policy. They are expected to notify their suppliers of their intention to adopt SA8000 standards, and to set a timetable for phasing out dealings with companies that fail to meet those criteria. Member countries are required to submit their annual report outlining progress which would be verified by SAI. b) *second route* lead towards the *certification* which is intended for manufacturers and suppliers themselves. The process is a rigorous one which begins with the company contracting an accredited auditor. Having demonstrated compliance with existing regulations and assessment how current practice compares with the provisions of SA8000, the company is given the status of SA8000 applicant. Then the business is put in place in SA8000 programme. It is scrutinized by a ‘pre-assessment audit. The company is again given the opportunity to put anything in the programme. They will only then issue the SA8000 certificate if the auditors are fully satisfied. This certificate is valid for three years.*

*The SA8000 code of practice is broken down into nine key areas: a) *child labour*, under the terms of SA8000, companies must not support child labour; b) *forced labour*; they are not forced to do work c) *health and safety*; they must provide their staff with a safe and healthy working environment d) *freedom of association and collective bargaining*, they must respect the right of employees to enroll in trade unions ; e) *discrimination*, whether on the grounds of race, nationality, sex, disability or political affiliation, discrimination is not allowed; f) *disciplinary practices*, verbal abuse or corporal punishment is also not allowed; g) *working hours*, they must ensure that none of their staff, or those working for their suppliers, is required to work more than 48 hours a week, or more than six days a week; h) *compensation*, regarding wages, it must be at least equal to legal or ‘industry minimum’ levels and must be sufficient to leave the employee with some discretionary income; and i) *management system*, governing management system, sets out the structure and procedures that companies must adopt, in order to ensure, that compliance with the standard is continuously reviewed.*

SA8000 is designed to embrace existing international agreements, including ILO conventions, the Universal Declaration on Human Rights, and the UN Convention on the Rights of the Child.

Compiled from: Glazebrook, Mark (1997): *Beyond Benevolence: Rethinking Corporate Responsibility*, published in “The Australian”, Tuesday 20/2/97

**APPENDIX BOX 2. THE OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES AND
GLOBAL INSTRUMENTS FOR CORPORATE RESPONSIBILITY**

OECD Guidelines for Multinational Enterprises: (revised in 2000) The Guidelines are recommendations covering nine areas of business conduct addressed by governments to multinational enterprises. While observance of the recommendations by enterprises is purely voluntary, adhering governments sign a binding decision to participate in Guidelines implementation and to promote their observance by enterprises operating in or from their territory. The basic premise of the guidelines is that internationally agreed principles can help to prevent misunderstandings and build an atmosphere of confidence and predictability among business, labour, governments and society as a whole. At the time of the recent review of the Guideline, many participants noted the intense international activity in the area of corporate responsibility. Among other initiatives, a number of global instruments for corporate responsibility had been issued or were in preparation. According to the OECD Guidelines, the following instruments are reviewed:

Caux Principles for Business: (issued in 1994) The Caux Principles are an aspirational set of recommendations covering many areas of corporate behaviour. They “seek to express a world-wide standard for ethical and responsible corporate behaviour and are offered as a foundation for dialogue and action by business and leaders world-wide.” No formal mechanism for corporate commitment to these principles exists.

Global Reporting Initiative (GRI): (issued in 1999, but development is ongoing) The GRI is an international reporting standard for voluntary use by organisations reporting on the economic, environmental and social dimensions of their activities, products and services. Using input from reporters and report users, the GRI has sought to develop a list of specific indicators for reporting on social, environmental and economic performance. Note that the GRI, since it is a non-financial reporting framework, does not provide recommendations on business conduct, but the framework is necessarily underpinned by norms for business conduct. The GRI is led by the Coalition of Environmentally Responsible Economies (CERES) and includes NGOs, corporations, consultancies, accounting firms, business associations, academics and others. The GRI does not assess companies’ conformity with its reporting guidelines.

Global Sullivan Principles: (issued in 1999) The Global Sullivan Principles are an aspirational standard developed with the input of several multinational corporations where included eight broad directives on labour, business ethics and environmental practices of multinational companies and their business partners. Companies endorse the Principles by publicly pledging to integrate them into their operations.

Benchmarks Principles for Global Corporate Responsibility: (revised in 1998) The “Benchmarks” are designed to provide a “model framework” through which stakeholders can assess corporate codes of conduct, policies and practices related to corporate social responsibility expectations. The principles were revised in 1998 to include the input of a range of human rights, environmental and labour groups, religious organisations and companies. The standard contains nearly 60 principles the sponsors consider “fundamental to a responsible company’s actions”. Finally the standard includes “benchmarks” to be used by external parties to assess the company’s performance related to the recommended policies and practices. Benchmarks’ sponsors (several religious NGOs based in the United Kingdom and North America) do not seek endorsements from companies.

Social Accountability 8000 (SA 8000): (issued in 1998) SA 8000 is a voluntary, factory based monitoring and certification standard for assessing labour conditions in global manufacturing operations. SA 8000 is modelled after the quality and environmental auditing processes developed through the International Standards Organisation in its ISO 9000 and ISO 14000 standards. SA 8000 relies on certified monitors to verify factory compliance with the standard.

United Nations Global Compact: (issued in 1999) The UN Global Compact was formally launched in September 2000. UN Secretary General Kofi Annan called on world business leaders to “embrace and enact” a set of nine principles in their individual corporate practices and by supporting complementary public policy initiatives. The standard includes specific practices that endorsing companies would commit to enact. Endorsements from companies are sought under the Global Compact.

Compiled from: *The OECD Guidelines for Multinational Enterprises and Global Instruments for Corporate Responsibility for the OECD Roundtable on Global Instruments to be held on 19 June 2001.* Conducted by DIRECTORATE FOR FINANCIAL, FISCAL AND ENTERPRISE AFFAIRS.

APPENDIX BOX 3. POLLUTION SCENARIO (as reported in the press)

Incident	Impact	Place
Waste generated by tanneries and other factories.	<ul style="list-style-type: none"> • Water of the Buriganga is not potable. • It is not safe for any aquatic life. • The existence of Dhaka city is under threat. 	Dhaka
Waste amounting to four billion cusecs is being thrown into the Shitalakkha everyday.	<ul style="list-style-type: none"> • The proposed Syedabad water treatment plant could become unviable as the water from Shitalakkha is not useable. The plant will have to bring in water from the Padma. This will mean an additional cost of two billion take. An individual consumer from Dhaka will have to pay Tk 35.31 per litre of treated water 	Dhaka
Rotten rice was thrown into the Bay of Bengal. Other waste is being thrown into the sea,	<ul style="list-style-type: none"> • Fish epidemic. 	The entire area stretching from Moheshkhali, Sonadia, Cox's Bazaar to the Teknaf estuary
Factories on the bank of the river Karnaphuli throw waste into the river More than 150 factories regularly throw industrial waste.	<ul style="list-style-type: none"> • Death of a young man after drinking Karnaphuli water. • Fish is scarce within 30 km of the Karnaphuli estuary. 	Banks of the Karnaphuli, Chittagong
Mac Paper Ltd in Narayanganj discharges waste into the river Shitalakkha.	<ul style="list-style-type: none"> • Siltation of a link-canal between the Shitalakkha and Buriganga. • problem of sanitation of 20,000 people. • Deaths of chickens and ducks • Agricultural problems. • Water-logging. • Skin diseases. 	A canal near Talla, Hajiganj and Wapda-pul in Narayanganj
More than fifty factories in Hemayetpur, Savar, discharge industrial waste into the river Dhaleshwari.	<ul style="list-style-type: none"> • Blackening of the colour of water. • Deaths of fish. • Skin diseases. 	Savar
The waste from dyeing and printing is flowing into the canal of Narayanganj - Narsingdi Agrani Irrigation Project.	<ul style="list-style-type: none"> • Death of fish in the canal. • The passengers travelling through Dhaka-Narsingdi highway are fed up with the bad smell of the waste. • The paddy seedlings are dying. 	Narayanganj
The waste from Jamuna Distilleries Company at Lenguria in Natore is being discharged into the river Narod.	<ul style="list-style-type: none"> • Death of fishes. • Corrosion of tin roofs. • Town dwellers fed up with the bad smell of the waste. 	Natore
The municipal waste is flowing into the Dakatia river in Raipur.	<ul style="list-style-type: none"> • Dwellers in the municipal area are drinking polluted water of the river Dakatia. • Fish resource threatened. 	Raipur municipality, Lakshimpur
Waste being dumped into the river Nabagonga in Magura.	<ul style="list-style-type: none"> • Environmental disaster 	Magura
Industrial waste being dumped into the river Turag.	<ul style="list-style-type: none"> • Bad smell from water, totally unusable. • No fishes are available in the Turag. • Crops damaged. 	Tongi
Ten million gallons of liquid waste being dumped daily into the river Rupsha and the Bhairab in Khulna.	<ul style="list-style-type: none"> • Aquatic life threatened. • Public health is in danger. 	Khulna city

Source: Dhaka dailies